

**DEPARTMENT OF CORPORATIONS**  
*California's Investment and Financing Authority*

**PRESTON DuFAUCHARD**  
**California Corporations Commissioner**  
**Sacramento, California**

**MEDIA RELEASE**

**For Immediate Release**  
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**LENDERS ORDERED TO STOP RAISING FUNDS****Activities of Three Real Estate Lenders Curtailed For Violation of Permits**

*SACRAMENTO, May 2, 2008* – Three real estate mortgage lenders were sanctioned this week by the California Department of Corporations for violating the terms of their permits allowing them to raise funds through individual investors.

The permits of Estate Financial Inc. and Estate Financial Mortgage Funding LLC in Paso Robles and Cedar Funding Mortgage Fund LLC in Monterey County were suspended this week pending final revocation. The orders were issued by Preston DuFauchard, Commissioner of the California Department of Corporations, which has regulatory jurisdiction over the sale of securities pursuant to the Corporate Securities Law of 1968.

Estate Financial Inc. (EFI) is a real estate investment group that offers and sells securities in the form of fractional interests in notes secured by deeds of trust in California. Estate Financial Mortgage Funding LLC (EFMF) offers and sells securities in the form of membership interests. Cedar Funding Mortgage Fund LLC (Cedar) also offers and sells securities in the form of membership interests. Such groups are typically involved in the financing of commercial real estate developments and raise funds from individual investors. The investors share in the returns by being paid dividends. Such firms are often described as “hard money” lenders. EFI and EFMF are affiliated, but Cedar is not affiliated with either EFI or EFMF.

In the Accusation on April 29 against Estate Financial Inc. (EFI) and Estate Financial Mortgage Funding LLC (EFMF), the Commissioner determined that EFI and EFMF had acted contrary to the representations made in their approved offering circular. It was also determined that EMF and EFMF had failed to provide prospective investors with the subscription agreement, operating agreement and suitability questionnaire prior to accepting investment funds.

In the Accusation on April 30 against Cedar Funding LLC (Cedar), the Commissioner determined that Cedar had made loans and disbursed loan proceeds in contradiction of the terms of the offering circular.

“The mandate of the Department of Corporations is to ensure an efficient and accessible financial services marketplace in California,” said Commissioner Preston DuFauchard in issuing the suspensions. “This includes the regulation of securities offerings with the intent of protecting investors from misrepresentations.”

(more)

“With the recent decline in real estate values, ‘hard money’ real estate funds have come under heightened scrutiny,” added Commissioner DuFauchard. “The enforcement actions issued this week demonstrate the department’s commitment to follow through on the requirements of investor suitability standards and full and timely disclosures.”

In order to sell securities in California, a permit application is submitted to the Department of Corporations and, if approved, an offering circular is prepared for distribution to prospective investors. The contents of such offering circulars will include a variety of disclosures, including warnings to prospective investors of the possibility of the loss of the entire investment. Disclosures also contain criteria for investor “suitability,” a list of requirements that investors must meet before they are considered qualified to invest. These suitability requirements are meant to ensure that investors are able to afford the risk of such investments. Requirements will typically include relatively high income levels and net worth.

Under the law, each of the three firms has 15 days from the date of the service of the intention to revoke to request a hearing with the Department of Corporations to contest the revocation.

*The Department of Corporations (DOC) is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, payday lenders, check sellers, bill payers, and debt reduction services. Consumers should contact the department to check on the status of the companies, investments or other services they are considering and the licensing status of the person. Contact DOC's toll-free Consumer Resource Center at 1-866-ASK-CORP (1-866-275-2677) or visit [www.corp.ca.gov](http://www.corp.ca.gov).*

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